

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Henika District Library	County Allegan
Fiscal Year End December 31, 2006	Opinion Date March 30, 2007	Date Audit Report Submitted to State April 23, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

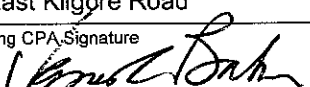
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name James C. Baker	License Number 1101010743

Henika District Library
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Henika District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Henika District Library's (the Library), financial performance provides a narrative overview of the Library's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Library's financial statements.

FINANCIAL HIGHLIGHTS

- The Library's total net assets increased by \$15,312 (4 percent) as a result of this year's activities.
- The Operating Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$198,650, which represents 64 percent of the actual total Operating Fund expenditures for the current fiscal year.

Overview of the financial statements

The Statement of Net Assets reports all of the Library's assets and liabilities along with the difference between the two, which is identified as the net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Library's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position.

The statement of revenues, expenses, and changes in net assets shows how the Library's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). This statement should help the reader to answer the question: Is the Library, better or worse off as a result of this year's activities?

Fund

The accounts of the Library are organized on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library's fund is classified in one category:

Operating Fund. This fund accounts for the expenses involved in providing services to its constituent's who are then charged fees to recover the costs of operation. This fund uses the modified-accrual basis of accounting.

The notes to the basic financial statements provide additional information that is necessary to understand the data reported in the financial statements.

FINANCIAL ANALYSIS

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Library's case, assets exceeded liabilities at the end of the fiscal year by \$379,549. The Library's investment in capital assets (e.g., building, equipment, and materials), a component of the total net assets, amounts to \$182,984. The Library uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs. The remaining net assets in the amount of \$196,565, is unrestricted.

Henika District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 1 - Net assets

	<i>Governmental activities</i>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 462,132	\$ 436,112
Capital assets	<u>182,984</u>	<u>175,280</u>
Total assets	<u>645,116</u>	<u>611,392</u>
Accounts payable	21,971	13,778
Deferred revenue	<u>243,596</u>	<u>233,377</u>
Total liabilities	<u>265,567</u>	<u>247,155</u>
Net assets:		
Invested in capital assets, net	182,984	175,280
Unrestricted	<u>196,565</u>	<u>188,957</u>
Total net assets	<u>\$ 379,549</u>	<u>\$ 364,237</u>

Net assets of the Library's governmental activities increased by \$15,312 (4 percent) to \$379,549. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, without constraints by debt covenants, enabling legislation or other legal requirements - increased by \$7,608 (4 percent) to \$196,565.

The total cost of the Library's operations amounted to \$303,917 in 2006 compared to \$260,928 in 2005, or a 16 percent increase. This increase is primarily the result of professional service fees associated with the possible Library expansion project.

Table 2 - Change in net assets

	<i>Governmental activities</i>	
	<u>2006</u>	<u>2005</u>
Program revenues:		
Charges for services	\$ 15,756	\$ 15,418
Operating contributions	6,043	10,720
General revenues:		
Property taxes	232,630	217,511
State aid	4,999	6,019
Penal fines	47,915	45,135
Investment return	<u>11,886</u>	<u>5,123</u>
Total revenues	319,229	299,926
Recreation and culture	<u>303,917</u>	<u>260,928</u>
Change in net assets	<u>\$ 15,312</u>	<u>\$ 38,998</u>

Operating Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$15,382, primarily due to expected increases in professional services associated with possible library expansion. Actual total budget exceeded the final total expenditures by only \$8,342.

Capital assets and debt administration

Capital assets

The Library's investment in capital assets for its governmental activities as of December 31, 2006, amounted to \$182,984 (net of accumulated depreciation). This investment includes assets consisting of equipment, building, and materials.

More detailed information about the Library's capital assets is presented in Note 5 of the basic financial statements.

Economic condition and outlook

The Library continues to rely on support from its property taxes and penal fines to finance all operating costs and capital acquisitions.

Contacting the Library's financial management

This financial report is designed to provide a general overview of the Library's finances to its customers and creditors, and to demonstrate the Library's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Lynn Mandaville, Director
Henika District Library
149 South Main Street
Wayland, MI 49348

Phone: (269) 792-2891

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Henika District Library**

We have audited the accompanying financial statements of the governmental activities and the major fund of Henika District Library, as of December 31, 2006, and for the year then ended, which collectively comprise the Henika District Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Henika District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Henika District Library, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The management's discussion and analysis, the budgetary comparison schedule and the schedule of funding progress, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

March 30, 2007

BASIC FINANCIAL STATEMENTS

Henika District Library**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE**

December 31, 2006

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Current assets:			
Cash	\$ 211,492	\$ -	\$ 211,492
Receivables	249,215	-	249,215
Prepaid expenses	-	1,425	1,425
Total current assets	460,707	1,425	462,132
Noncurrent assets - capital assets (net of accumulated depreciation)	-	182,984	182,984
Total assets	<u>\$ 460,707</u>	<u>184,409</u>	<u>645,116</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,496	-	10,496
Accrued liabilities	7,965	3,510	11,475
Deferred revenue	243,596	-	243,596
Total liabilities	262,057	3,510	265,567
FUND BALANCE			
Unreserved, undesignated	198,650	(198,650)	-
Total liabilities and fund balance	<u>\$ 460,707</u>		
NET ASSETS			
Invested in capital assets		182,984	182,984
Unrestricted		196,565	196,565
Total net assets		<u>\$ 379,549</u>	<u>\$ 379,549</u>

Amounts reported in the statement of net assets are different because:

Total fund equity	\$ 198,650
Capital assets	182,984
Prepaid expenses	1,425
Compensated absences	(3,510)
Total net assets	<u>\$ 379,549</u>

See notes to the financial statements

Henika District Library**STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE***Year ended December 31, 2006*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
Program expenditures/expenses			
Recreation and cultural - library:			
Operations	\$ 306,499	\$ (28,491)	\$ 278,008
Depreciation	-	25,909	25,909
Capital outlay	<u>3,516</u>	<u>(3,516)</u>	<u>-</u>
Total program expenses	<u>310,015</u>	<u>(6,098)</u>	<u>303,917</u>
Program revenues			
Charges for services	15,756	-	15,756
Operating grants and contributions	<u>6,043</u>	<u>-</u>	<u>6,043</u>
Total program revenues	<u>21,799</u>	<u>-</u>	<u>21,799</u>
Net program expenses	<u>(288,216)</u>	<u>6,098</u>	<u>(282,118)</u>
General revenues			
Property taxes	232,630	-	232,630
State grants	4,999	-	4,999
District court penal fines	47,915	-	47,915
Investment return	<u>11,886</u>	<u>-</u>	<u>11,886</u>
Total general revenues	<u>297,430</u>	<u>-</u>	<u>297,430</u>
Change in fund balance/Net assets	9,214	6,098	15,312
Fund balance/Net assets - beginning	<u>189,436</u>	<u>174,801</u>	<u>364,237</u>
Fund balance/Net assets - ending	<u>\$ 198,650</u>	<u>\$ 180,899</u>	<u>\$ 379,549</u>

See notes to the financial statements

Henika District Library

**STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)**

Year ended December 31, 2006

Change in fund balance	\$ 9,214
Amounts reported in the statement of activities are different because:	
Capital assets:	
Amounts capitalized	33,613
Provision for depreciation	(25,909)
Decrease in prepaid expenses	(1,256)
Increase in compensated absences	<u>(350)</u>
Change in net assets	<u>\$ 15,312</u>

See notes to the financial statements

Henika District Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Henika District Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Henika District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports the following major governmental fund:

The Operating Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is proportionately allocated to all funds.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

iii) Other assets - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Henika District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets (continued) -

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Materials	5 - 10 years

v) Deferred revenues - The Library defers revenue recognition in connection with revenues that are not considered to be available to liquidate liabilities of the current period or resources that have been received, but not yet earned. Currently, deferred revenue consists of property taxes which are considered received but not year earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority. At December 31, 2006, the Library had deposits with a carrying amount of \$211,492.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2006, \$105,488 of the Library's bank balances of \$215,912 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Library believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Henika District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables (all of which are due within one year) as of year end for the Library in the aggregate, are as follows:

Taxes	\$ 245,938
Intergovernmental	<u>3,277</u>
Net receivables	<u>\$ 249,215</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated:				
Buildings	\$ 24,243	\$ -	\$ -	\$ 24,243
Furniture and equipment	40,105	2,622	-	42,727
Books and a/v material	<u>183,357</u>	<u>30,991</u>	<u>-</u>	<u>214,348</u>
Subtotal	<u>247,705</u>	<u>33,613</u>	<u>-</u>	<u>281,318</u>
Less accumulated depreciation for:				
Buildings	(3,994)	(686)	-	(4,680)
Furniture and equipment	(20,392)	(5,079)	-	(25,471)
Books and a/v material	<u>(48,039)</u>	<u>(20,144)</u>	<u>-</u>	<u>(68,183)</u>
Subtotal	<u>(72,425)</u>	<u>(25,909)</u>	<u>-</u>	<u>(98,334)</u>
Capital assets, net	<u>\$ 175,280</u>	<u>\$ 7,704</u>	<u>\$ -</u>	<u>\$ 182,984</u>

NOTE 6 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The Library's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Library's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Library. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Henika District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued):

Funding policy:

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

Annual pension cost:

For the year ended December 31, 2006, the Library's annual pension cost of \$3,484 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) an 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information is as follows:

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/04	\$ 12,825	100%	\$ -
12/31/05	4,843	100%	-
12/31/06	3,484	100%	-

NOTE 7 - CLAIMS ARISING FROM RISKS OF LOSS:

The Library is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims.

The risks of loss arising from general liability up to \$2,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Henika District Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Operating Fund**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 235,475	\$ 220,805	\$ 232,630	\$ 11,825
State grants	3,000	2,509	4,999	2,490
Charges for service	20,000	14,000	15,756	1,756
Fines and forfeitures	35,000	45,000	47,915	2,915
Investment return	1,000	8,000	11,886	3,886
Donations	-	6,043	6,043	-
Total revenues	<u>294,475</u>	<u>296,357</u>	<u>319,229</u>	<u>22,872</u>
EXPENDITURES				
Recreation and cultural:				
Salaries	150,000	150,000	138,451	11,549
Employee benefits	14,000	14,000	14,627	(627)
Retirement	13,000	5,000	3,484	1,516
Payroll taxes	10,400	10,700	10,964	(264)
Adult and children materials	26,615	30,115	30,991	(876)
Professional services	19,960	33,992	39,997	(6,005)
Contracted services	24,000	29,000	28,740	260
Supplies	7,000	7,000	8,129	(1,129)
Insurance	6,000	6,200	6,177	23
Utilities	6,500	5,200	5,707	(507)
Building and equipment maintenance	3,000	6,150	6,561	(411)
Communications	2,000	1,500	1,425	75
Education and transportation	3,500	2,200	2,103	97
Advertising and publishing	2,300	2,600	1,977	623
Programs	5,000	4,500	4,036	464
Miscellaneous	<u>2,200</u>	<u>2,700</u>	<u>3,130</u>	<u>(430)</u>
Total recreational and cultural	295,475	310,857	306,499	4,358
Capital outlay	<u>6,000</u>	<u>7,500</u>	<u>3,516</u>	<u>3,984</u>
Total expenditures	<u>301,475</u>	<u>318,357</u>	<u>310,015</u>	<u>8,342</u>
NET CHANGE IN FUND BALANCES	(7,000)	(22,000)	9,214	31,214
FUND BALANCES - BEGINNING	<u>189,436</u>	<u>189,436</u>	<u>189,436</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 182,436</u>	<u>\$ 167,436</u>	<u>\$ 198,650</u>	<u>\$ 31,214</u>

Henika District Library
ANALYSIS OF FUNDING PROGRESS - Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

<i>Actuarial valuation date</i>	<i>Actuarial value of assets</i>	<i>Actuarial accrued liability (ALL) entry age</i>	<i>Funded ratio</i>	<i>(Over- funded) ALL</i>	<i>Covered payroll</i>	<i>(Over-funded) ALL as a percentage of covered payroll</i>
<u>December 31:</u>	<u>(a)</u>	<u>(b)</u>	<u>(a)/(b)</u>	<u>(b-a)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
1998	\$ 101,604	\$ 141,535	72%	\$ 39,931	\$ 46,352	86%
1999	124,648	156,780	80%	32,132	47,699	67%
2000	144,732	209,113	69%	64,381	56,192	115%
2001	172,693	264,835	65%	92,142	89,324	103%
2002	196,445	291,608	67%	95,163	93,381	102%
2003	219,249	184,373	119%	(34,876)	72,450	-48%
2004	247,633	200,864	123%	(46,769)	75,348	-62%
2005	268,998	217,827	123%	(51,171)	78,362	-65%

March 30, 2007

**Board of Trustees
Henika District Library**

In planning and performing our audit of the financial statements of the Henika District Library as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards (hereinafter referred to as generally accepted accounting principles), we considered the Henika District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes material weakness.

The Library does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, to complete the conversion of fund-based financial data to government-wide financial statements, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Henika District Library, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.